



Debt Sustainability: what can small countries learn from the debt crisis and the importance of keeping government debt under control

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This teaching resource is allocated to following University:

UC - Universum College

Institution:

Universum University College

<http://www.sustainicum.at/en/modules/view/279.Debt-Sustainability-what-can-small-countries-learn-from-the-debt-crisis-and-the-importance-of-keeping-government-debt-under-control>



Group work



**Less than 5
students**



**Up to 3 lecture
units**



**Internet
connection
necessary**



English, Shqip

These learning materials will be designed to explain the importance of having sustainable government debt management in a country by learning from recent cases of European countries with debt problems such as Greece, Italy and Portugal and comparing them with current trends in government debt issuance in Kosovo. Groups of students are expected to analyse the way by which countries finance their expenditures using debt and compare the debt

practices with Kosovo's case of recently issuing and trading with debt instruments. The aim is in understanding the role of debt for a country and the ways by which we can keep debt under control so as not to cause insolvency or default for a country. Overall, with these learning materials students should be able to explain how debt can be a factor that helps and not destroys sustainable development in a country.

The issuance of government debt instruments has started for the first time in 2012 in Kosovo, coinciding with a period of tremendous debt problems being faced by many European Union countries. The first instruments issued in form of debt were short-term Kosovo government treasury bills which were traded in the primary market where dealers purchased the instruments in an organized auction. The auction, respectively the electronic market, is maintained at the Central Bank of Kosovo. A year later, Kosovo started issuing longer term Government Bonds and its debt levels rose from 5.8% (2011) to 9.1% (2013). Though, far below from an EU average of debt to GDP ratio of 85.4% (2013), still Kosovo has doubled its debt levels within two years and the trend and expectations are showing that it will continue upwards.

Recently, Kosovo has started issuing 5-year government bonds increasing the debt to gdp ratio further up to 12%. With this trend in two years experts anticipate an increase in Kosovo's government debt to 30%. This important issue will be the main focus for students to analyse, as we know that debt unsustainability may seriously harm the economic sustainability. Given that the importance of public debt is unquestionable for sustainable development, these learning materials will be designed to study this role from a comparative perspective of Kosovo and other European countries that recently dealt with debt problems. Doing so, students will be organized in small groups and will be assigned to analyse the debt timeline of one the EU countries, Greece, Italy or Portugal. Thereafter, students will take part in observing the technicalities surrounding the debt issuance such as auctions, issuance calendars and plans at the Central Bank of Kosovo where the issuance of debt is organized.

How Kosovo finances its economic growth through debt will be a significant part of this research resource. The aim of these learning instructions will be to produce assessments for Kosovo's debt strategy and evaluate if such a strategy is based on sustainable debt planning and management. Finally, students will conduct a series of interviews with officials working at the

Ministry of Finance who work at the debt and treasury units. The interviews should focus on the basis of debt planning where the questions tackle issues such as: financial forecasts of liquidity and their role on debt planning, the demand for Kosovo's debt instruments and the liquidity of Kosovo's government debt market.

At the end of the field study at the Central Bank and the Ministry of Finance, students will provide comprehensive reports on government debt planning, issuance and trading in Kosovo. The report should also focus in comparing and analysing government debt practices of a small country such as Kosovo, and the comparative benchmark countries such as Greece, Italy and Portugal. The report should emphasise the fact that small countries should learn from countries with bad debt management so as to avoid collapse or default in the future. A debt insolvent country is unsustainable and poses serious risks for the overall national welfare.

Teaching Tools & Methods



Mini-project



Written material

Integration of Social Stakeholders

The Ministry of Finance, Central Bank of Kosovo and commercial banks in Kosovo have all been involved in organizing Kosovo's debt issuance and trading. The work for these learning resources will be conducted in cooperation with all the aforementioned institutions who are directly involved in this process. Students will receive first-hand information on concept and technicalities surrounding the government debt questions.

Strength

- An opportunity to study a current hot topic (public debt) from a hands-on perspective
- An opportunity to gain knowledge in conducting comparative analysis (Kosovo vs. an EU indebted country)
- Curriculum that incorporates technical and conceptual skills

Weakness

- The short history of Kosovo's sovereign debt will provide a limited source of data
- To conduct field studies a higher level of knowledge in financial analysis will be a pre-requisite. Once again this leaves out first year students.

Learning Outcomes

- LT1: Able to understand the role of government debt in sustainable development
- LT2: Able to assess debt planning and management from Kosovo's experience as a new country being financed through debt issuance
- LT3: Able to identify the shortcomings of debt planning and management by analysing the recent debt crisis in Europe
- LT4: Experience in producing analytical reports

Relevance for Sustainability

- Contribute in understanding the importance of sustainability of debt for an overall sustainable development
- Contribute by providing direct insight into the debt planning and management

Related Teaching Resources

No specific previous knowledge / related resources required

Preparation Efforts

Low

Preparation Efforts Description

- Lectures on the money market and capital market instruments with focus on government debt instrument characteristics.

Access

Free

Assessment

Students reports will be assessed with points up to 100.

Credit/Certification Description

Unspecified

Sources and Links

<https://mf.rks-gov.net/sq-al/DEPARTAMENTET/Departamenti-i-Buxhetit>

<http://bqk-kos.org/index.php?id=57>

<http://www.development-finance.org/en/topics-of-work/debt-strategy-information/debt-sustainability.html>

<http://www.tradingeconomics.com/greece/government-debt-to-gdp>

<http://www.tradingeconomics.com/italy/government-debt-to-gdp>

<https://www.imf.org/external/pubs/ft/dsa/>

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